

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NORTH MARSHALL WATER DISTRICT'S SUPPLY     ) CASE NO. 99-372  
AGREEMENT WITH CALVERT CITY POWER I, L.L.C.   )

ORDER

North Marshall Water District ("North Marshall") has submitted for Commission review and approval a water supply agreement with Calvert City Power I, LLC ("CCPI"). Having reviewed the proposed agreement and the evidence of record, the Commission finds that:

1. North Marshall, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce, transport and distribute water to Marshall and Livingston counties, Kentucky.
2. CCPI is a limited liability company organized under the laws of the state of Delaware.
3. CCPI intends to construct and operate within North Marshall's boundaries a natural gas-fired power plant consisting of several simple cycle combustion turbine units, totaling approximately 500 MW of generating capacity.<sup>1</sup>
4. On August 25, 1999, North Marshall and CCPI executed a "Construction, Ownership, Maintenance and Supply Agreement" ("the Agreement").
5. This Agreement provides, inter alia, that:

---

<sup>1</sup> Case No. 99-058, The Petition of Calvert City Power I, L.L.C., for a Declaratory Order (Ky.P.S.C. July 6, 1999) at 1.

a. North Marshall shall construct a water distribution main from its existing treated water distribution system on U.S. Highway 68 to a point of interconnection with CCPI.

b. North Marshall and CCPI shall agree upon the design and cost for the water distribution main.

c. CCPI shall pay for all reasonable direct out-of-pocket costs of constructing and installing the water distribution main, including any such costs associated with the acquisition of easements, permits and licenses.

d. Upon submission of an invoice for any reasonable direct cost of construction or installation by North Marshall, CCPI shall directly pay the billing party within 30 days.

e. The proposed water distribution main shall deliver at least 700 gallons of water per minute ("gpm") at a reasonably constant pressure of 60 pounds per square inch ("psig").

f. Upon completion of construction, North Marshall shall own the proposed water distribution main.

g. North Marshall shall be responsible for all maintenance upon the proposed water distribution main.

h. North Marshall may connect other customers to the proposed water distribution main so long as such connections do not compromise or otherwise diminish its ability to provide water at the agreed quantity and pressure.

i. North Marshall shall furnish all quantities of water demanded by CCPI not to exceed 1,008,000 gallons per day at 700 gpm. CCPI is not obligated to purchase any minimum amount.

j. North Marshall shall annually calibrate the metering equipment used to measure water service to CCPI. In the event that any water meter is registering inaccurately by more than 2 percent of the test, its previous readings shall be corrected for the 12 months prior to the test in accordance with one-half the percentage of inaccuracy found.

k. CCPI shall pay a bi-monthly metering charge of \$288.00 for each meter installed.

6. North Marshall intends to serve CCPI through its Bel-Air Water Treatment Plant.

7. In addition to the proposed distribution line, North Marshall estimates that to serve CCPI some pumping equipment at the Bel-Air Water Treatment Plant must be upgraded and certain water lines between storage facilities must be upsized. North Marshall and CCPI have not agreed on the allocation of these costs.

8. North Marshall estimates that the total cost of facilities required to serve CCPI is \$2.5 million.

9. As of this date, North Marshall has not prepared any formal plans or specifications for the proposed facilities.

10. CCPI expects to operate its power plant 100 days per year with an expected peak daily demand of 1.08 million gallons.

11. As of December 31, 1999, North Marshall had net utility plant of \$4,681,567.

12. North Marshall has two water treatment plants with a total capacity of 4,608,000 gallons.

13. The average daily demand upon North Marshall's water treatment facilities is 1,353,000 gallons of water.

14. The maximum daily demand upon North Marshall's water treatment facilities was 2,723,000 gallons and occurred on September 2, 1999.

15. North Marshall expects to serve CCPI through a single 6-inch water meter.

16. The Bel-Air Treatment Plant currently has a capacity of 1,728,000 gallons per day.

17. North Marshall currently has adequate capacity to provide the required quantities of water under the proposed contract.

18. The proposed contract will allow North Marshall to reduce its large capacity reserve.

19. Section 4.4 of the Agreement is inconsistent with Administrative Regulation 807 KAR 5:006, Section 10(2), which requires a water utility to readjust a customer's bill for the total amount of any metering inaccuracy exceeding 2 percent. Section 4.4 of the Agreement requires a readjustment of only 50 percent of any metering inaccuracy exceeding 2 percent.

20. Since submitting the Agreement for Commission review and approval, North Marshall revised its filed rate schedules to establish a bi-monthly customer charge

for a 6-inch meter of \$187.76.<sup>2</sup> The bi-monthly customer charge set forth in Article 4.7(a) of the Agreement differs from this charge.

21. With the exception of Sections 4.4 and 4.7 of the Agreement, the Agreement is reasonable and should be approved. Sections 4.4 and 4.7(a) should be modified to conform to Administrative Regulation 807 KAR 5:006, Section 10(2), and North Marshall's present rate schedules.

22. The construction of the facilities necessary to serve CCPI is not an extension in the ordinary course of business and will require a Certificate of Public Convenience and Necessity.

IT IS THEREFORE ORDERED that:

1. With the modifications set forth in Ordering Paragraphs 2 and 3, the Agreement is approved for service on and after the date of this Order.

2. Section 4.4 of the Agreement is modified as follows to conform to Administrative Regulation 807 KAR 5:006, Section 10(2):

Metering Equipment and Testing. North Marshall agrees to calibrate the metering equipment annually, and to provide at least ten (10) days' prior written notice thereof to CPI, who shall have the right to attend such calibration. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the twelve (12) months previous to such test in accordance with ~~one-half (1/2)~~ the percentage of the inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure. An appropriate official of

---

<sup>2</sup> Case No. 99-370, North Marshall Water District Tariff Revisions to Establish a Six-Inch Meter Rate (Ky.P.S.C. Nov. 2, 1999).

CPI, at all reasonable times, shall have access to the meter for the purpose of verifying its readings.

3. Section 4.7 of the Agreement is modified as follows:

Rate Schedule. CPI agrees to pay North Marshall for water delivery in accordance with this Agreement at the following rates:

- a) a bi-monthly meter charge of ~~\$288.00~~ \$187.76 for each meter installed under this Agreement; plus
- b) a commodity charge equal to the lesser of (i) the applicable standard tariff rate on file at the Kentucky Public Service commission ("PSC") for treated water from North Marshall ("Standard Tariff") per 1,000 gallons of treated water delivered monthly hereunder, which currently is \$1.92 per 1,000 gallons plus applicable taxes, or (ii) a special contract rate as may be negotiated with North Marshall and approved by the PSC in the future.

4. Prior to constructing any facilities to comply with the terms of the Agreement, North Marshall shall apply for a Certificate of Public Convenience and Necessity for such facilities.

5. Nothing contained herein shall prevent the Commission from establishing different rates for North Marshall's provision of water service to CCPI.

Done at Frankfort, Kentucky, this 8<sup>th</sup> day of May, 2000.

By the Commission

ATTEST:

  
Executive Director